C30.0011.008-009 Economics of Global Business (EGB)
Fall 2007

Professor V. Srivatsan
KMEC 8-85
T, H: 12:30-1:45pm & by appointment
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COURSE GOALS
The objective of this course is to provide future decision-makers with a systematic understanding of critical aspects of the international business environment. We examine the forces driving toward globalization—the integration of national business activities into globally competitive markets.

COURSE STRUCTURE
The course is divided into TWO MAIN modules and one application sub-module.

The first module looks at the economics of international trade in goods and services. International trade is a key driver of global integration. We examine the role of comparative advantage as a determinant of the location of production. We also examine the reasons for and effects of government policies that create impediments to international trade.

The second part of the course surveys the role of money and finance in global economic activity. We examine the role of exchange rates as key prices in global finance. We show how the foreign exchange market can be used by hedgers and by speculators, and we develop some key principles of international financial investment. We also examine the role of government policies toward the foreign exchange market, including the choice between fixed and floating exchange rates, and the use of exchange controls to create impediments to currency exchanges.

The final part of the course examines foreign direct investment and other challenges to global business operations. We examine the reasons for the rising importance of multinational corporations. This is also the applications part of the course, where we will apply the concepts learned in the previous parts of the course.

The course provides a survey of big-picture global issues. It also serves as the base for the International Studies Project course. In addition, C30.0011 is a prerequisite for several IB elective courses, including International Business Management, International Financial Management, and International Marketing Management.
The prerequisites for the course are A31.0001 Principles of Macroeconomics and A31.0002 Principles of Microeconomics, or the equivalent.

COURSE MATERIALS
Required textbook:


An online [and cheaper] version of the reading package is available for download from the McGraw-Hill website. To get this version of the textbook

- Go to: [www.ebookstore.mhhe.com](http://www.ebookstore.mhhe.com)
- Select Custom E-Books
- Select the Country: USA
- Select the State: NY
- Select the School: New York University
- Select the Course: Economics of Global Business
- Follow the purchasing information
- I recommend DOWNLOADING the whole packet all at once.

TEACHING PHILOSOPHY
The most important personality characteristic that you will need as a Knowledge worker in the new global economy is the ability to learn new skills and techniques over the course of your career. I have designed the course delivery so as to help you to learn how to learn by yourself. Instead of teaching you international economics, I’ll guide you to learn it by yourself.

In order for this process to succeed, it is ABSOLUTELY ESSENTIAL that you read the assigned reading for the day before coming to class. If you are shooting for the top grade, I strongly recommend that you go through some of the end-of-chapter problems, especially those for which there are answers at the back of the book, after the lecture.

Class discussions will focus on some additional problems, real world examples and additional related issues. We will not be going over the concepts again in class, unless they are particularly subtle or difficult. IF YOU HAVEN’T READ THE MATERIAL PRIOR TO CLASS, YOU WILL FIND THE CLASS DISCUSSIONS DIFFICULT. We’ll end each WEEK with some additional problems and issues, which you’ll discuss in groups. The answers to these will be posted at the course website over the weekend.

It is also highly recommended that you keep up with current developments in the international business environment, both for class purposes and for your own benefit. You can do this by reading the relevant articles in a good newspaper (e.g., *Financial Times, Wall Street Journal, New York Times*) or weekly magazine (e.g., the *Economist*). You are encouraged to bring up current events for discussion in class.
TEACHING ASSISTANTS
TBA

TBA

GRADING
The course grade will be based on the following items:

- First Quiz: 25%
- Second Quiz: 25%
- Final Exam: 40%
- Individual Paper: 10%

The coverage and dates for the quizzes are:
- First Quiz: Covers Part One, TUESDAY, October 10
- Second Quiz: Covers Part Two, THURSDAY, November 16.
- Final Exam: Covers ALL Parts, FRIDAY, December 15, (12:00 – 1:50 PM)

Individual Paper - Specific instructions will be distributed in class.
   PAPER DUE ON THURSDAY, DECEMBER 6
PART ONE: INTERNATIONAL TRADE IN GOODS AND SERVICES

Class 1
Sep 4  Introduction
Required Reading: Ch. 1 AND CH 3 from TP

Class 2
Sep 6  The Rationale for Trade
Required Reading: Ch 3 AND CH 4 from TP

Class 3
Sep 11 The Rationale for Trade
Required Reading: Ch 4 AND CH5 from TP

Class 4
Sep 13 Newer Theories of Trade
Required Reading: Ch 6 from TP

Class 5
Sep 18 Trade Policy: Tariffs
Required Reading: Ch 8 from TP. Skip pages 140-143 and problem #10.

Class 6
Sep 20 Trade Policy: Non-Tariff Barriers
Required Reading: Ch 9 from TP.

Class 7
Sep 25 Analysis of Governmental Trade Policy
Required Reading: Ch 10 from TP.

Class 8
Sep 27 Analysis of Governmental Trade Policy [Cont’d]
Required Reading: Ch 11 from TP.

Class 9
Oct 2 Regional Trade (Lecture to be handled by Professor Joseph Foudy)
Required Reading: Ch 12 from TP. Skip pages 255-259 and problem #10.

Class 10
Oct 4 FIRST QUIZ REVIEW

Class 11
Oct 9 FIRST QUIZ
PART TWO: FOREIGN EXCHANGE & INTERNATIONAL FINANCIAL MARKETS

Class 12
Oct  11    Foreign Exchange & the Forward Markets
Required Reading: Ch 17 from TP.

Class 13
Oct  16    Foreign Exchange & the Forward Markets
Required Reading: Ch 18 from TP.

Class 14
Oct  18    Foreign Exchange & the Forward Markets
Required Reading: Ch 18 from TP.

Class 15
Oct  23    The Balance of Payments
Required Reading: Ch 16 from TP.

Class 16
Oct  25    The Determination of Exchange Rates
Required Reading: Ch 19 from TP.

Class 17
Oct  30    The Determination of Exchange Rates
Required Reading: Ch 19 from TP.

Class 18
Nov  1     The Determination of Exchange Rates
Required Reading: Ch 19 from TP.

Class 19
Nov  6     The Determination of Exchange Rates
Required Reading: Ch 19 AND 20 [EXCEPT PP482-496] from TP.

Class 20
Nov  8     Governmental Policy in the Foreign Exchange Market
Required Reading: Ch 20 from TP [EXCEPT PP482-496].

Class 21
Nov 13    Exchange Rate Policy Options
Required Reading: Ch 25 from TP.
SECOND QUIZ

PART THREE: APPLICATIONS MODULE

Class 23
Nov 20 TBA

Class 24
Nov 27 VIDEOS ON THE IMF AND THE INTERNATIONAL MONETARY SYSTEM

Required Reading: Ch 20 from TP  PP482-496 on THE INTERNATIONAL CURRENCY EXPERIENCE

Class 25
Nov 29 FDI and multinational corporations

Required reading: Ch 15 from TP.

Class 26
Dec 4 Immigration

Required reading: Ch 15 from TP.

Class 27
Dec 6 Trade and the Environment

Required reading: Ch 13 from TP.

PAPER DUE

Class 28
Dec 12 Final Review

DEC 14 FRIDAY FINAL EXAM FROM 12:00 – 1:50 PM.